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<https://stvp.stanford.edu/blog/videos/high-velocity-media-whats-next-in-online-advertising-revenue>

If 30-40 percent of our time engaging in media is spent online, then why are only 6-7 percent of all ad dollars going toward online media? Tony Perkins, CEO of AlwaysOn, Michael Moe, Founding Partner at ThinkEquity, and Tim Draper, Founder and a Managing Director of Draper Fisher Jurvetson, all comment on how Madison Avenue must learn to bridge the gap between advertising dollars and new media. Furthermore, Draper quotes a case study of DFJ's investment in website Glam; that despite no initial business plan, new revenue-sharing models with bloggers made it the world's 10th largest media site. The panel also points out that for the next generation, YouTube is a more important brand than NBC.



## Transcript

Tony Perkins: So again, back to this idea.. I think there's been a huge behavioral change.. I'll give you an example of a statistic, which I think is really interesting.. Somewhere between 30% and 40% of the time that we're consuming media and content we're on the Internet.. Yet, we just had our on media conference back in New York, somewhere between only 6% and 7% of the ad dollars are invested in advertising on the Internet.. So there's this gigantic delta between the old Madison Avenue world and how they're investing their advertising dollars on behalf of their clients and where people are, where the eyeballs actually are.. Michael Moe: And the other piece, what's going to make that even more powerful is you see that catch up is that 30%, if you look at younger people, they spend more than 30%.. And that's only going to be going up.. Tony Perkins: Just in the online advertising sector alone, it seems like there's going to be a lot of cool companies created, trying to help Madison Avenue bridge that gap between the ad dollars that aren't being spent and where all the eyeballs are.. Tim Draper: Yeah..

This reminds me of something.. We have an investment company called Glam.. This is also a message for why an entrepreneur is often better off with less money than more.. We had invested in this company and he was spending it at a reasonable rate but we didn't really have a business model.. This was just a little site for women to go see fashion and that kind of thing.. And it wasn't really taking off.. And we said, "You got to go cut your expenses in half." And he was so mad at me.. He was just furious.. And he said, "What do you mean? We've got plenty of money in the bank.. This is good for at least 18 months, whatever..

What are you telling me I've got to cut it in half? And we're going to have money for three years or whatever.. You're totally wasting your money." And I said, "No.. We've got to cut this in half until we get a business model." And he just walked away so pissed.. And then he came back about a month later and he said, "Thank you so much!" I'm thinking, "Uh-oh." And he said, "I'm so glad you came up with this." And I thought, "I didn't come up with anything." And he said, "What we discovered in going through our real business model was that we can sell ads for all those bloggers out there that have been blogging to our site.. And they all want to share revenue with us.. And so we're changing the whole business model and we're going after this." And now Glam is the 10th largest media site in the world and it came from nowhere.. It came from just forced less money.. But you can grow very, very quickly because we all communicate so much faster.. And if you have some new way of using a cellphone or tweeting or whatever it is that you're doing, it will proliferate around the world much, much quicker.. And that will allow you to get to a billion people much, much quicker..

And by reaching those billion people, you can advertise to them.. You can get them to pay for a subscription for something.. You can ship them something.. Any number of things, but it can happen just like that.. And so my belief is that companies are going to get to \$1 billion in value faster and faster and faster and faster.. Michael Moe: YouTube didn't exist five years ago.. Today, it gets a billion hits a day.. From my daughter.... Tony Perkins: ...alone.. Michael Moe: Exactly! As a more important network than NBC..

And when you look at these different networks, whether it's Skype, which I think has 400 million people on the Skype network as I'm speaking, 10 million people on Skype.. Look at Facebook, 200 million people.. There's 25 million mobile,

mobile computers which is a huge, huge, huge, huge trend.. The phone is your computer.. 25 million mobile Facebook users, 4 million people use it every single day.. And this is just getting more velocity to this whole mobile network.. Tony Perkins: One interesting statistic that I looked at was if you look at the top 10 websites in 2005 versus the top 10 websites today, there are five new brands that are on that.. So that means just in the last three-and-a-half years, five companies, by the way all of which were instant messaging generated driven brands, replaced five large brands.. Like MSN fell off the list, EBay fell off the list.. So again, I think is just a great illustration of opportunity..

I love that Glam example so I want to just kind of focus in on it because I think if we're talking about the next big thing, there are several big Glam opportunities out there, right? So what exactly happened? So you had Glam, they were creating their own content.. Trying to be their own site but then they you told them to cut in half.. So then that forced them to go and aggregate other blogs like glamour blogs into their site? And they said, "Hey, if you do that on our site, we'll sell the ads and then we'll share the revenue with you." Is that the business model? Tim Draper: Yeah.. And then of course they moved from fashion to beauty, to gardening, whatever, health.. And now they've got a men's site that they call Brash and it's the same kind of thing - sports, whatever.. And so they're covering all these categories.. All these bloggers get a great deal.. These guys sell ads and they split it with the blogger.. And it's amazing that that business model just came from forcing people to get sort of creative on the thing.. Tony Perkins: So in theory, you could go over to the Stanford bookshop and stand in front of the magazine rack and say there's a Glam opportunity behind every brand..

Tim Draper: Yeah, absolutely.. Tony Perkins: Because if you believe Marc Andreessen, there will be no magazine rack in about three years because there will be no more print, which will be not very exciting...